

This meeting was originally scheduled as a  
Cabinet breakfast.

NSC Review Completed as Redacted.

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5 August 1981

*Maurice*

MEMORANDUM FOR: Director of Central Intelligence  
 Deputy Director of Central Intelligence

FROM:   
 Chief, Interdepartmental Affairs Staff

25X1

SUBJECT: *council*  
 Cabinet Breakfast - 6 August 1981

1. There are two items of concern to you on the agenda for tomorrow's Cabinet Breakfast. The first is the economic situation in Poland. (This was originally on the NSC agenda for today but the meeting was scrubbed.) I understand that Secretaries Haig and Regan will brief. (Regan will use information provided to him by CIA on Tuesday.) OER has prepared some talking points (Tab A) for you to use if you want to make some remarks on U.S. policy toward economic aid for Poland. At Tab B is a recent assessment of the Polish economy, the conclusions of which are still valid. Tab C is an NSC options paper that was used at an NSPG meeting on 14 July.

2. The other item is international investment strategy. We will not receive the papers on this until this evening. I will have some briefing notes prepared and deliver them with your morning material.

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*Maurice -*  
 This is a Cabinet council item  
 scheduled for 8:45 tomorrow. You're  
 welcome to this package if you'd  
 like it.

*JLH*

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United States Policy Toward Economic Aid for Poland

- A. Until recently Polish debt rescheduling has been treated too much as an international financial issue.
1. Same track as if dealing with a Zaire or a Turkey.
  2. Goal has been to get money back while minimizing US commitment.
    - avoid setting precedent, possible Brazilian rescheduling coming up.
  3. In particular, we tried for several months to fend off European requests to join in furnishing new aid to Poland; now Europeans are holding back.
- B. Aid to Poland as a national security issue.
1. Rise of Solidarity and unravelling of Polish Communist party biggest crack in the Warsaw Pact since WW II.
  2. If Poland becomes both political and economic success--and Russians keep out--the consequences could be immense.
    - first of all, a semi-independent Poland would no longer be the reliable ally that Moscow requires
    - in particular, USSR could not count on Poland to rubber stamp any aggressive action in Western Europe.
    - NATO worries about attack with limited warning would be far less.
  3. In time, a Poland that enjoyed both more freedom and on equal or better standard of living would be bound to have corrosive effect on receptability of first Czech and GDR regimes, later Hungarian, and even Soviet regimes.

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--Leaders in these countries know this. GDR and Czechoslovakia clearly frightened.

--Try to suppress any enthusiasm for Polish renewal by pointing to economic chaos and appealing to nationalistic feelings (those lazy Poles have made a mess of things).

--Polish economic recovery combined with political liberalization would change popular thinking

--especially since USSR and Eastern Europe cannot support much of an increase in living standards over the next several years.

4. A weakening of the legitimacy of the governments in the eyes of their populations might well weaken the Warsaw Pact in ways that we have trouble imagining now.

C. Chances that Poland can stage economic recovery are not nearly as bleak as generally thought.

1. Poland could come back economically in a hurry like other countries have whose difficulties stemmed from wrong-headed policies, institutional paralysis, and internal struggles

--has resource, manpower, and a good deal of new plant and equipment that isn't being used

--agriculture, with better weather and consistent support for the private farmer, can also become a source of major strength, although recovery would take longer than a recovery of industrial production

2. Poland needs three things:

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--absence of Soviet intervention;

--workable agreement on economic policy (necessary austerity) between government and Solidarity/private farmers);

--debt rescheduling and enough new aid to finance essential imports of industrial materials and food.

D. Would seem to be in US national security interest to promote emergence of a viable Poland.

1. Assurances of access to Western aid likely to be particularly important in next few months.

-- Hardliners probably are arguing that revival of country's economy depends on closer ties with other CEMA countries.

-- Without new money from West, the USSR will in fact step in, on its terms.

2. Amount of aid that US might have to contribute not large in context of total outlays for national security.

3. Commitment need not be open-ended; extensions could be keyed to Soviet behavior and success of domestic economic policies.

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